

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

 FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	482248
<015> Study Area Name	NORTHERN TEL COOP
<020> Program Year	2016
<030> Contact Name: Person USAC should contact with questions about this data	Michael Sheard
<035> Contact Telephone Number: Number of the person identified in data line <030>	4069379661 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	msheard@northerntel.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
		(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> ← check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	<div></div> (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	<div></div> (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <div>482248mt510.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <div>482248mt610.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability Certification	Yes <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> <div>482248mt1010.pdf</div>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Certify whether terrestrial backhaul options exist (Yes or No) <input checked="" type="radio"/> <input checked="" type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet			
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers			
<2000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet			
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(100) Service Quality Improvement Reporting
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5	
<111>	year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

482248mt112.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
 <114> Report how much universal service (USF) support was received
 <115> How much (USF) was used to improve service quality and how support was used to improve service quality
 <116> How much (USF) was used to improve service coverage and how support was used to improve service coverage
 <117> How much (USF) was used to improve service capacity and how support was used to improve service capacity
 <118> Provide an explanation of network improvement targets not met in the prior calendar year.

Yes
Yes
Yes
Yes
Yes
Yes

(200) Service Outage Reporting (Voice)
Data Collection Form

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<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

[illegible]

OMB Control No. 3060-0985/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<701>	Residential Local Service Charge Effective Date	1/1/2015
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings Data Collection Form FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	482248
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<910> Tribal Land(s) on which ETC Serves

Blackfeet Reservation

<920> Tribal Government Engagement Obligation

482248mt920.pdf

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes
Yes

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

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<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northernintel.net

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035> Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

482248wt1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | |
|--|-------------------------------------|
| <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL SHEPARD
<035>	Contact Telephone Number - Number of person identified in data line <030>	4083178661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mshepard@northernintel.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)i}
 <2011a> 3rd Year Certification {47 CFR § 54.313(b)(1)ii}
 <2011b> Attachment {47 CFR § 54.313(b)(1)iii}

Name of Attached Document(s) Listing Required Information

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

- <2012> 2013 Frozen Support Calculation {47 CFR § 54.313(c)(1)}
 <2013> 2014 Frozen Support Calculation {47 CFR § 54.313(c)(2)}
 <2014> 2015 Frozen Support Calculation {47 CFR § 54.313(c)(3)}
 <2015> 2016 and future Frozen Support Calculation {47 CFR § 54.313(c)(4)}

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

- <2016> Certification Support Used to Build Broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

- <2017> 3rd year Broadband Service Certification
 <2018> 5th year Broadband Service Certification
 <2019> Interim Progress Certification
 <2020> Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

- <2021> Interim Progress Community Anchor Institutions

Name of Attached Document(s) Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation

Data Collection Form

FCC Form 481

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<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035> Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	msheard@northern.tel.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

- (3010) Progress Report on 5 Year Plan
Milestone Certification (47 CFR § 54.313(f)(1)(i))

482248mt3010.pdf

Name of Attached Document Listing Required Information

- (3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.



482248mt3012.pdf

- (3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

Name of Attached Document Listing Required Information

- (3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))
(3014) If yes, does your company file the RUS annual report

(Yes/No) ☒ ☒
(Yes/No) ☒ ☒

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

- (3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)
(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows



- (3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

- (3018) If the response is no on line 3014, Is your company audited?

(Yes/No) ☒ ☒

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

- (3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications
(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows
(3021) Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit



If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

- (3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,
(3023) Underlying information subjected to a review by an independent certified public accountant
(3024) Underlying information subjected to an officer certification.
(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows



482248mt3026.pdf

- (3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481

Data Collection Form

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<010> Study Area Code	482248
<015> Study Area Name	NORTHERN TEL COOP
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035> Contact Telephone Number - Number of person identified in data line <030>	4063379661 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

Financial Data Summary

(3027) Revenue

3427437

(3028) Operating Expenses

3118110

(3029) Net Income

759963

(3030) Telephone Plant In Service(TPIS)

29022800

(3031) Total Assets

13992054

(3032) Total Debt

0

(3033) Total Equity

13098353

(3034) Dividends

0

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 May 2013

<010>	Study Area Code	482248
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: NORTHERN TEL COOP	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer: Mike Sheard	
Title or position of Authorized Officer: General Manager	
Telephone number of Authorized Officer: 4069379661 ext.	
Study Area Code of Reporting Carrier: 482248	Filing Due Date for this form: 07/01/2015
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035> Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN

PROGRESS REPORT – JUNE, 2015

Introduction

The purpose of this document is to report on Northern Telephone Cooperative's (Northern's) progress on its Five-Year Service Quality Improvement Plan (Plan). The Plan was submitted in June of 2014 within Northern's Form 481 filing. This report describes Northern's progress for calendar year 2015 as of June 23, 2015.

Description of Northern's Network

Northern provides service to just over 1,100 homes and businesses scattered across more than 3,200 square miles in north central Montana along the Canadian border. Northern has a single wire center and six exchanges. The following map shows the location of Northern's exchanges relative to the state of Montana:



Each of the six exchanges is further divided into “customer serving areas,” which generally include a fiber “hub site” and local loops connecting each customer in that serving area to the hub site. There are nearly 50 customer serving areas throughout Northern’s service area.

A fiber “backbone” network connects nearly all customer serving area hub sites to Northern’s soft switch which is located in Northern’s Sunburst Central Office. The fiber network is also used to extend broadband Internet access throughout Northern’s service area.

For many years, all of Northern’s customers have had access to copper-loop-based DSL Internet access with download speeds of at least 1 mbps, and in many cases, up to, and exceeding 4 mbps. However, bandwidth demands are rapidly increasing to levels that will eventually exhaust DSL’s capacity.

A few years ago, Northern began to replace its copper loops with high-capacity fiber optic loops. This technology is known as “fiber-to-the-home” or FTTH, and also involves the installation of new electronics across Northern’s network and new equipment at each customer location.

As described in its Five-Year Service Quality Improvement Plan filed a year ago, Northern plans to add approximately seventy miles of new fiber backbone and loop plant, along with associated electronics to its network each year over the next five years.

Northern determines and prioritizes its construction projects each year using variables such as new service requests, and the need to replace “problem” copper plant and/or plant with bandwidth capacity constraints;

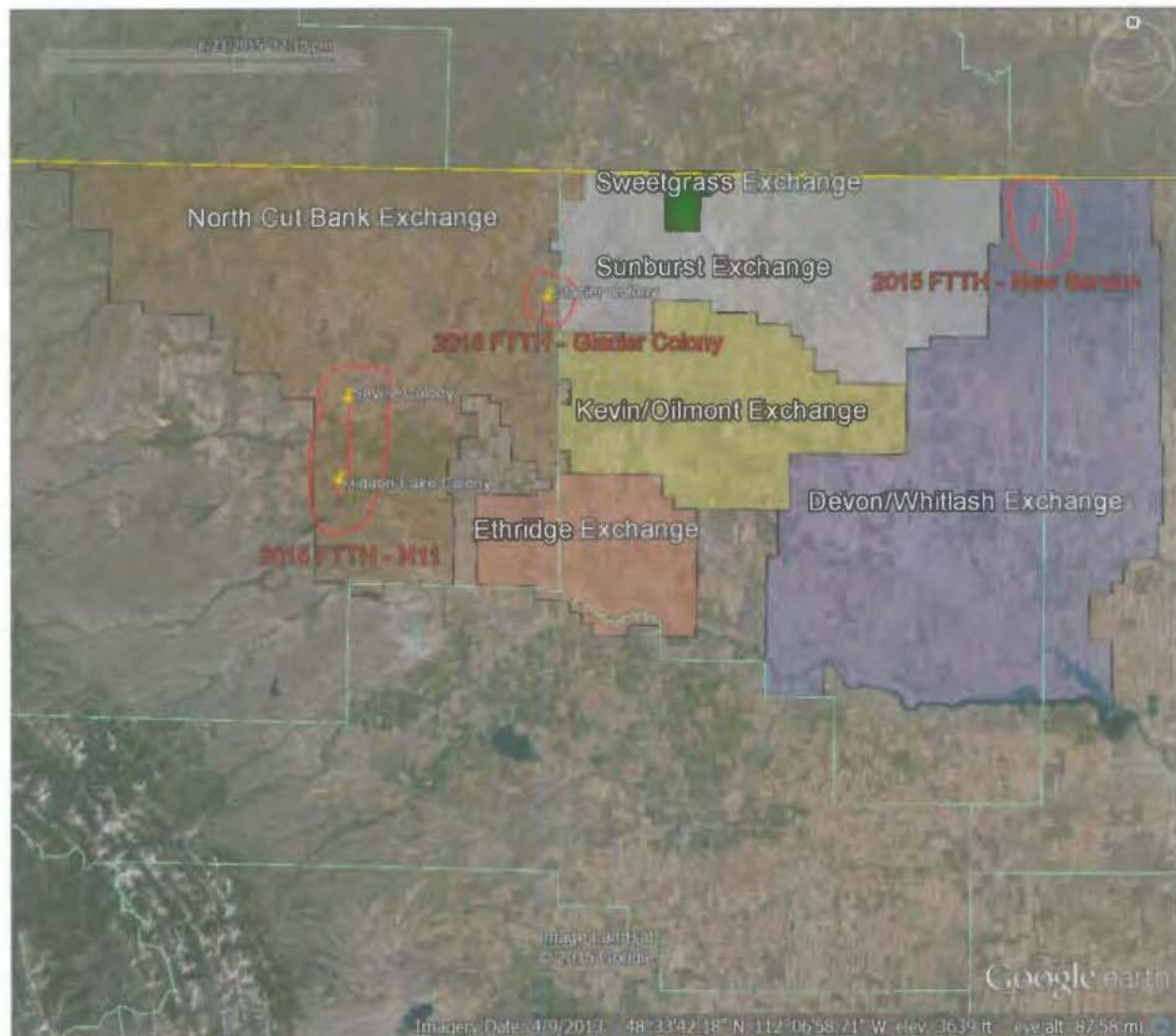
Northern’s Progress in 2015 as of June 30th.

Northern is on track to meet or exceed its construction and service quality improvement goals for 2015. Northern’s technicians began the 2015 construction season by installing service to several new homes, one of which required more than 1.5 miles of new fiber construction. This was located in Northern’s Devon/Whitlash exchange and is shown on the map provided below. There were several other shorter new service installations completed that are not shown on the map.

Northern also extended fiber to the Glacier Hutterite Colony, located in Northern’s North Cut Bank exchange. There is also a K-8 school located at the Glacier Colony that is now served by FTTH. This project, which included just over ½ mile of new fiber construction, is shown on the map provided below.

Northern’s first large-scale project in 2015 involved extending FTTH to each customer in the “N11” serving area. The N11 serving area is located in Northern’s North Cut Bank exchange, on the Blackfeet Indian Reservation. Until recently, N11 was connected to the rest of Northern’s network via aging copper T-1s, which constrained the bandwidth available to customers in that serving area.

Approximately 14 miles of new fiber plant will be in place in the N11 serving area by June 30th, with splicing and customer installs to follow. All N11 customers will enjoy new FTTH service by the end of the year. It should be noted that there are two Hutterite colonies in the N11 serving area - - the Seville Colony and the Hidden Lake Colony. Each colony also has a K-8 school that will be served by the new FTTH project. The N11 project, along with the projects described above are all shown on the following map.



As of June 23, 2015, Northern's total capital and operating expenditures were \$4,492,593. Of that amount, capital expenses equaled \$1,563,827, and operating expenses were \$2,928,766. To date in 2015, the amount of universal service support received by Northern is \$708,635. Of that amount, \$246,669 was spent on capital expenses and \$461,966 was spent on operating expenses.

The FTTH projects described above will improve service quality, coverage, and capacity to the customers in the affected areas. These customers will be served by brand new state-of-the-art

telecommunications plant which will not only be more reliable, but will also provide much greater capacity than the old copper-based plant. In addition, extending service to the new customer locations has increased Northern's service coverage.

There have been no unfulfilled network improvement targets to date in 2015, and as stated above, Northern expects to meet or exceed its goals for this year.

Conclusion

The purpose of this document is to report on Northern's progress on its Five-Year Service Quality Improvement Plan. This report details Northern's progress on the Plan for calendar year 2015 as of June 23, 2015.

The report includes an explanation of how much universal service support Northern has received so far in 2015, and how it was used to improve service quality, coverage, and capacity. Northern is on track to meet or exceed its construction and service quality improvement goals for 2015.

Response Line 510
Northern Telephone Cooperative, Inc.
Study Area 482248

Pursuant to 47 C.F.R. § 54.313(a)(5) and or 47 C.F.R. § 54.422(b)(3) Northern Telephone Cooperative, Inc. ("Northern") is in compliance with appropriate FCC Service Quality Standards and Consumer Protection Rules. Northern is proud of its service quality record and works very hard every day to maintain the high level of service quality for which we are known, and to which our customers have become accustomed. We are a cooperative, and as our motto says, we are "Owned by those we Serve."

We have engineered and maintain our network and our operations to provide robust, reliable, high quality services to our customers. Furthermore, we have sophisticated monitoring systems that immediately alert our technicians of any changes in power, cooling, network or other conditions that may affect service. Although serious problems are very rare, our technicians are on standby twenty-four hours a day, seven days a week, three hundred sixty-five days a years and immediately respond as necessary to any problems that arise and resolve them before customer service is affected.

Northern also works diligently to protect its customer's identities and any confidential information that may be in the company's possession. Northern provides CPNI training for its employees as well as the members of Northern's Board of Directors. Northern also conducts subscriber outreach regarding CPNI by periodically placing CPNI explanation messages into subscriber's bills and has signage in its business office regarding CPNI rules and regulations. Northern's CPNI policies are incorporated into the company's policies and all company employees are required to sign and acknowledge that they have received and understand the CPNI policies, and will follow them.

Response to Line 610
Northern Telephone Cooperative, Inc.
Study Area 482248

Functionality in Emergency Situations:

Pursuant to 47 C.F.R. § 54.313(a)(6) and 47 C.F.R § 54.22(b)(4) as set forth in 47 C.F.R. § 54.202(a)(2) Northern Telephone Cooperative, Inc. ("Northern") meets the requirements to remain functional in emergency situations. Power to Northern's central office is backed up by a battery plant that can keep the site running for up to 24 hours. In addition, the entire site is backed up by a fixed generator that can keep the site running indefinitely.

Northern's field electronics have 12+ hours of back-up battery power and each site is further protected by either a fixed, or a mobile generator.

Northern also has provisioned self-healing technologies in its core fiber optic network that will automatically reroute traffic should a fiber cut occur. Northern is prepared and capable of managing traffic spikes that could result from emergency situations.

Northern has implemented automatic monitoring of its power, environmental and network performance, availability and capacity. Northern technicians are immediately alerted if problems develop and respond accordingly. In most cases, problems are resolved long before they are customer affecting.

(700) Price Offerings Including Voice Rate Data
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	482248
-------	-----------------	--------

<015>	Study Area Name	NORTHERN TEL COOP
-------	-----------------	-------------------

<020>	Program Year	2016
-------	--------------	------

<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
-------	---	----------------

<035> Contact Telephone Number - Number of person identified in data line <030> 4069379661 ext.

<039> Contact Email Address - Email Address of person identified in data line <030> maheard@northerntel.net

1/1/2015

<702> Single State-wide Residential Local Service Charge

<703>

[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	482248
-------	-----------------	--------

<015>	Study Area Name	NORTHERN TEL COOP
-------	-----------------	-------------------

<020>	Program Year	2016
-------	--------------	------

<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
-------	---	----------------

<035> Contact Telephone Number - Number of person identified in data line <030> 4069379661 ext.

<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net
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<711>

[illegible]

(800) Operating Companies
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<810>	Reporting Carrier	Northern Telephone Cooperative, Inc.
<811>	Holding Company	Northern Telephone Cooperative, Inc.
<812>	Operating Company	Northern Telephone Cooperative, Inc.

<813>	<a1>	<a2>	<a3>
	Affiliates	SAC	Doing Business As Company or Brand Designation
	Northern Communications, Inc.		Northern Communications, Inc.

Response to Line 920
Northern Telephone Cooperative, Inc.
Study Area 482248

The purpose of this report is to provide documentation demonstrating the many ways in which Northern Telephone Cooperative, Inc. (Northern) has worked to develop an effective exchange of information with the Blackfeet Tribe with the common goal of maintaining the deployment and improvement of communications services across the portion of the Blackfeet Reservation that is in Northern's service area.

The following map shows the location of the Blackfeet Reservation.



Northern serves approximately eleven hundred (1,100) customers, all of which have access to broadband over either fiber or DSL today. Northern's customers are scattered across thirty-one hundred (3,100) square miles in north central Montana along the US/Canadian border.

Northern's service area includes the northeastern-most portion of the Blackfeet Reservation. The portion of the Blackfeet Reservation that is in Northern's service area is comprised of very sparsely populated farming and range lands, much of which contain no inhabitants.

While the entire Blackfeet Reservation encompasses approximately two thousand three hundred forty-four (2,344) square miles, the portion of the reservation that is inside Northern's service area is approximately seven hundred fifty-seven (757) square miles. Please refer to the map attached to this narrative.

Of the reservation's total population of approximately 10,000 people, less than three hundred (300) are located in Northern's service area. **There are no towns or tribal anchor institutions in the portion of the reservation served by Northern.**

For many years, all of Northern's customers, including those on the Blackfeet Reservation, have had access to copper-based DSL and the ability to access the Internet at speeds of at least 1 mbps, and in many cases, up to, and even exceeding 4 mbps. However, bandwidth demands are rapidly increasing to levels that may eventually exhaust DSL's technological capacity.

A few years ago, in light of growing bandwidth demands, the limitations of copper technologies, and potential problems associated with some of its aging copper plant, Northern began work to replace its copper loops with high-capacity fiber optic loops. This technology is known as "fiber-to-the-home" or FTTH. FTTH will enable Northern to provide a very large, and scalable, broadband "pipe" to each home and business it serves. The project also involves the installation of new electronics across Northern's network and new equipment at each customer location.

Northern has served customers on the Blackfeet Reservation for decades and some of Northern's first FTTH customers were located on the reservation. In spite of limited, and increasingly uncertain financial resources, and the short construction season in northern Montana, Northern's FTTH project is still expected to be completed within the next 10 years or so, both on the reservation and off.

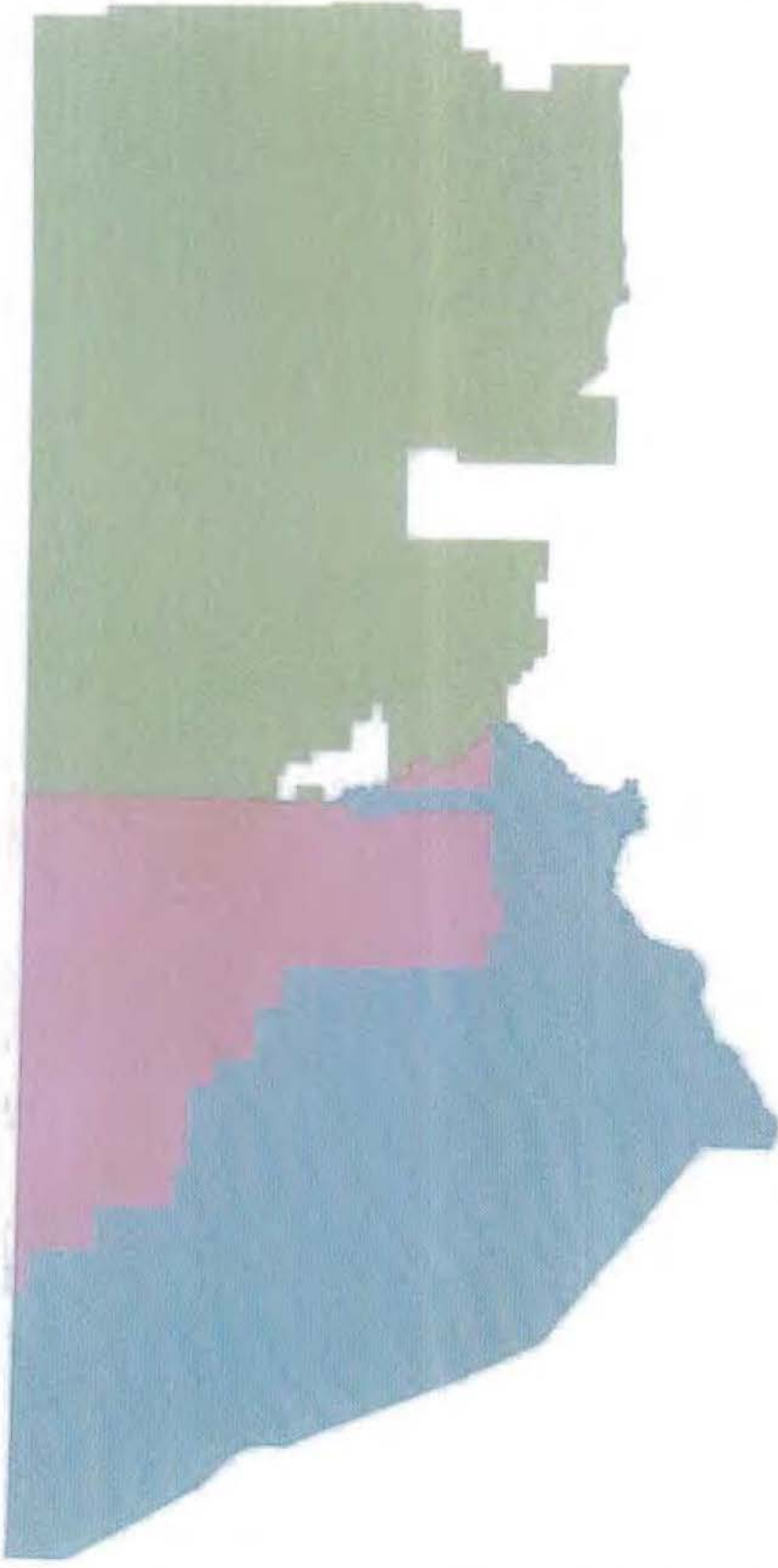
Northern has always endeavored to maintain, and will continue to maintain a tradition of meaningful engagement with the Blackfeet Tribal government. We have worked closely with the Blackfeet Tribal Business Council and share the understanding of the need to deploy infrastructure that can meet customer needs not only now, but into the future as well. The Tribal Business Council unanimously passed a resolution in support of Northern's telecommunications infrastructure projects on the reservation (please see the attached resolution).

Northern is aware of and sensitive to the unique challenges of providing service across tribal lands. Accordingly we employ the services of a company called Compton Signatures (see: <http://www.compton signatures.com/>). Compton Signatures (Compton), which is owned by Patricia Compton, a member of the Blackfeet Tribe, is a "Certified Indian Business" that is located in Browning, Montana, in the heart of the Blackfeet Indian Reservation.

Compton has a professional staff with extensive knowledge and experience in tribal land trust and related issues. They use their knowledge and experience to help bridge any cultural differences with a blend of integrity and communication. They serve as a valuable liaison to the Blackfeet Tribe creating a cohesive bond to assist Northern in determining the criteria needed to complete its projects consistent with Blackfeet culture and in compliance with Blackfeet Tribal regulations.

Some of the many ways Compton Signatures assists Northern Telephone include: helping to ensure compliance with Tribal rights-of-way processes; land use permitting; facilities siting; environmental and cultural review processes; and, Tribal business and licensing requirements. Northern maintains a business license with the Blackfeet Tribe (a copy of Northern's 2015 license is attached) and complies with the Blackfeet Tribal Employment Rights Office (TERO) requirements.

Northern's goal is to serve all of its customers, both on and off the reservation with state-of-the-art FTTH technology. Northern recognizes the cultural sensitivities and other unique aspects associated with building and maintaining telecommunications infrastructure and providing services on Tribal lands. Northern will endeavor to continue to develop and maintain an effective exchange of information with the Blackfeet Tribal government and with the Blackfeet people in general.



Blackfoot Reservation

NTC Serving Area

NTC Area Serving the Blackfoot Reservation

Area of NTC serving the Blackfoot Reservation
 Exchange 18.63 sq miles 10,628.17 acres
 North Coalfield Exchange 743.68 sq miles 473,171.69 acres
 Total 762.31 sq miles 483,800.86 acres

DATE	REVISION
04/13	Initial Exchange Survey

NORTHERN TELEPHONE EXCHANGES
 BLACKFOOT RESERVATION LANDS
 SERVED BY NTC
 NORTHERN TELEPHONE COOP., INC.
 SUNBURST, MONTANA

Detail Map

Scale = NTS

Nov 5 1996

BLACKFEET NATION

P.O. BOX 850
BROWNING, MONTANA 59417
(406) 338-7179
FAX 338-7530

EXECUTIVE COMMITTEE

EARL OLD PERSON, CHAIRMAN
BERNARD ST. GODDARD, VICE-CHAIRMAN
ROLAND KENNERLY, SECRETARY
BLAINE GUARDIPEE, TREASURER

BLACKFEET TRIBAL BUSINESS COUNCIL

EARL OLD PERSON
BERNARD ST. GODDARD
ROLAND KENNERLY
MARLENE BEAR-WALTER
TED WILLIAMSON
ARCHIE ST. GODDARD
JIMMY ST. GODDARD
CASE GRANT
CARL NIPP

RESOLUTION

NUMBER: 30-97

- WHEREAS, The Blackfeet Tribal Business Council is the duly constituted governing body within the exterior boundaries of the Blackfeet Indian Reservation; and
- WHEREAS, The Blackfeet Tribal Business Council has been organized to represent, develop, protect and advance the views, interests, education and resources of the members of the Blackfeet Indian Reservation; and
- WHEREAS, Pursuant to Article VI, Powers of the Council, Section 1(c), of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to prevent the sale, disposition, lease or encumbrance of tribal lands, interests in lands or other tribal assets, without the consent of the tribe; and
- WHEREAS, Pursuant to Article VII, Land, Section 1, of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to recognize under existing laws such lands may be condemned for public purposes, such as roads, public buildings, or other public improvements, upon payment of adequate compensation, by any agency of the State of Montana or of the Federal Government, or by the tribe itself; and
- WHEREAS, Pursuant to 5. Corporate Powers, of the Corporate Charter of the Blackfeet Tribe of the Blackfeet Indian Reservation Montana, (j) To exercise such further incidental powers, not inconsistent with law, as may be necessary to the conduct of corporate business; and
- WHEREAS, Northern Telephone Cooperative, Inc., is requesting to extend its telephone service lines to individuals residing on the Blackfeet Reservation, so as to provide telephone service to consumers requesting this service; and

BLACKFEET TRIBAL RESOLUTION NUMBER: 30-97

PAGE 2

WHEREAS, The Blackfeet Tribal Business Council has been organized to improve the living standard of the people of the Blackfeet Indian Reservation; and

WHEREAS, Northern Telephone Cooperative is requesting this Comprehensive service line permit to build, construct and maintain telephone service line systems over, across and upon Blackfeet Tribal land so as to provide telephone service to inhabitants thereof, with payment waived; and

THEREFORE BE IT RESOLVED, That permission is hereby granted to Northern Telephone Cooperative, Inc., to survey, place, construct, operate, maintain, repair, relocate or replace a telephone service line system including all structures necessary or advisable for the construction, operation and maintenance of said lines over and across Tribal lands, with payment waived; and

BE IT FURTHER RESOLVED, That the Superintendent of the Bureau Of Indian Affairs at the Blackfeet Agency is hereby instructed to approve this comprehensive telephone service line permit granted to Northern Telephone Cooperative, Inc., of Sunburst, Montana on land owned by the Blackfeet Tribe, subject of application and approval of the Bureau of Indian Affairs under the terms and provisions of the Act of February 5, 1948 (62 Stat. 17-18), and Departmental Regulations 25 CFR 169; and

BE IT FURTHER RESOLVED, That the Superintendent for the Bureau of Indian Affairs, Blackfeet Agency, is instructed to execute such documents as may be necessary to complete the granting of this comprehensive telephone service line to Northern Telephone Cooperative, Inc.; and

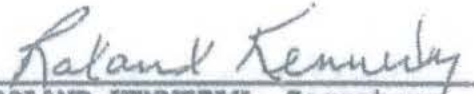
BE IT FINALLY RESOLVED, That the Chairman and the Secretary of the Blackfeet Tribal Business Council, acting in behalf of the Blackfeet Tribe, are hereby authorized and instructed to sign such documents as may be necessary to finalize said grant of a comprehensive telephone service line permit to Northern Telephone Cooperative, Inc.

BLACKFEET TRIBAL RESOLUTION NUMBER: 30-97

PAGE 3

ATTEST:

THE BLACKFEET TRIBE OF THE
BLACKFEET INDIAN RESERVATION



ROLAND KENNERLY, Secretary


EARL OLD PERSON, Chairman

CERTIFICATION

I hereby certify that the foregoing Resolution was adopted by the Land Committee of the Blackfeet Tribe during a meeting held on 03-19-96 and approved by the Blackfeet Tribal Business Council during a SPECIAL Session assembled for Business on JUNE 12, 1996 with SEVEN (7) Members present to constitute a quorum and by a vote of SEVEN (7) Members For and ZERO (0) Members Opposed.

(CORPORATE SEAL)


ROLAND KENNERLY, SECRETARY
BLACKFEET TRIBAL BUSINESS
COUNCIL

THE BLACKFEET TRIBE

CERTIFIES THAT

Northern Telephone Cooperative Inc.

BUSINESS LICENSE #:

181

Steen Alme

P.O. Box 190

Sunburst, MT. 59482

Having made application for a business activity and adhered to all laws and procedures required by the Blackfeet Tribe, said business is hereby authorized to conduct or operate a business activity within the boundaries of the Blackfeet Indian Reservation.

This permit must be displayed in full view of public while conducting or operating a business activity.

Type of Activity:

Telephone Cooperative



This Permit Expires On:

September 30, 2014

Response to Line 1210
Northern Telephone Cooperative, Inc.
Study Area 482248

Northern Telephone's subscribers on a limited income may be eligible to participate in Lifeline. Subscribers must prove their eligibility to enroll and the program is limited to one benefit per household. Northern Telephone's Lifeline participants receive a discount on the price of Northern's flat-rated (unlimited) local Residential service. These discounts are currently set at \$9.25 per month.

Toll calls made by Lifeline participants are priced at the standard rates offered by the various toll carriers. For example, customers that use Northern Telephone as their toll carrier are charged \$.10/minute for interstate and intrastate toll calls. Lifeline customers may subscribe to Northern's optional Toll Denial service at no monthly cost.

To qualify for Lifeline, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or participate in any of the following programs:

- *Supplemental Nutrition Assistance Program (SNAP)
- *Medicaid
- *Temporary Assistance for Needy Families (TANF)
- *National School Lunch Program's free lunch program
- *Federal Public Housing Assistance or Section 8
- *Low-income Home Energy Assistance Program (LIHEAP)
- *Supplemental Security Income (SSI)

Additional benefits, including Tribal Lifeline and Tribal Lands Link Up may be available to qualifying subscribers that reside on the portion of the Blackfeet Reservation that is served by Northern Telephone. Qualification is based on income or participation in one of the following programs:

- *Head Start (only if eligible through income)
- *Bureau of Indian Affairs (BIA) General Assistance
- *Tribally administered Temporary Assistance for Needy Families (TTANF)
- *Food Distribution Program on Indian Reservations (FDPIR)

Tribal Lifeline provides a monthly discount of up to \$34.25 off of the cost of Northern's local Residential service. This discount includes the standard \$9.25 Lifeline benefit plus up to an additional \$25.

Tribal Lands Link-Up enables eligible new customers to receive a discount of up to \$100 off the customary charges for commencing phone service with Northern Telephone.

Northern Telephone's Low Income outreach includes: mailers (at least once per year); posters placed in strategic public places; newspaper notices and Northern's web site.

Response to Line 3010
Northern Telephone Cooperative, Inc.
Study Area 482248

PROGRESS REPORT ON 5-YEAR PLAN – MILESTONE CERTIFICATION

Northern Telephone Cooperative, Inc. (Northern) hereby certifies that it has, and is, taking reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such services were/are met within a reasonable amount of time.



Signature

Michael Sheard

Printed Name

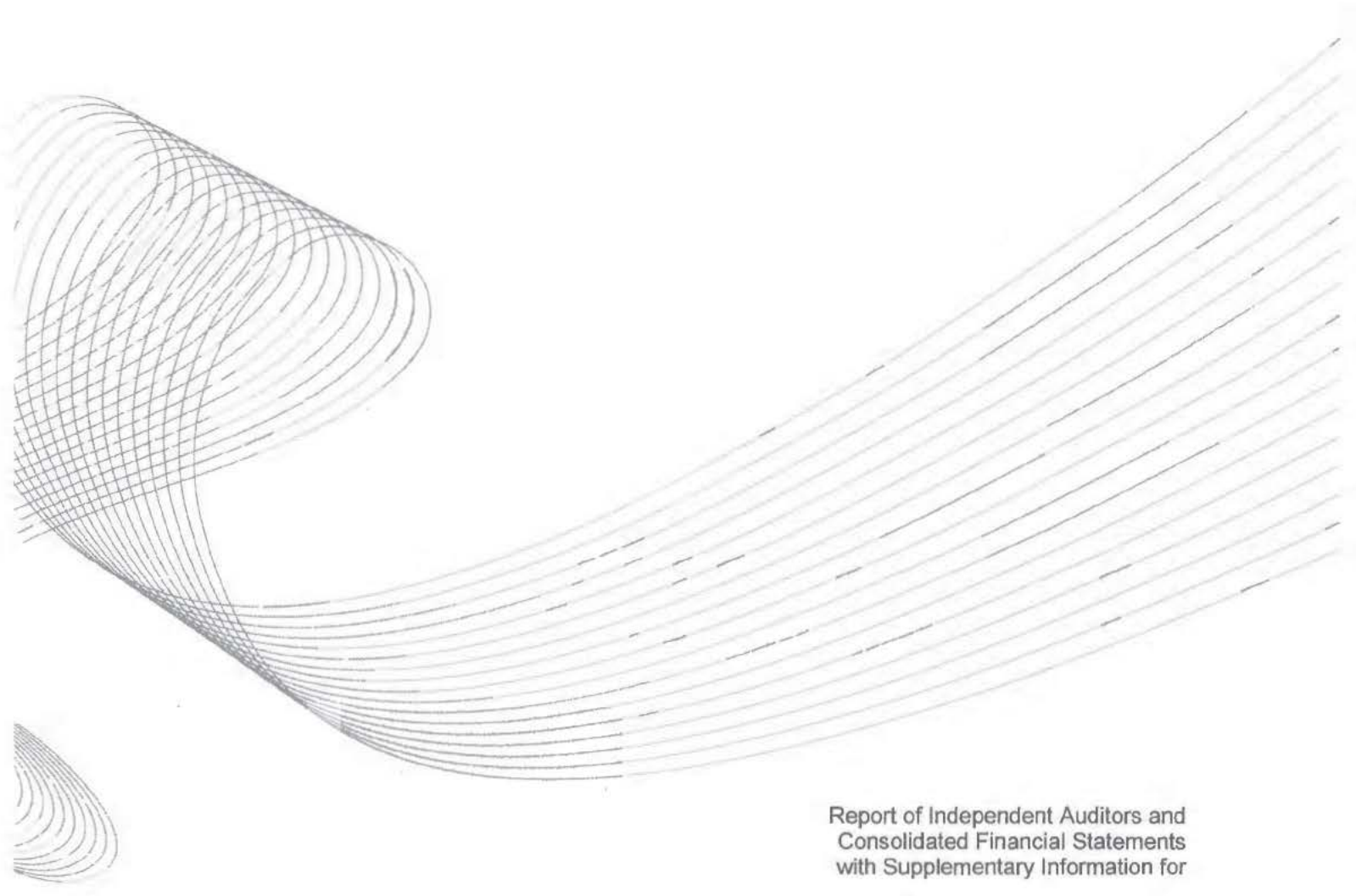
General Manager

Title

Response to Line 3012
Northern Telephone Cooperative, Inc.
Study Area 482248

PROGRESS REPORT ON 5-YEAR PLAN – COMMUNITY ANCHOR INSTITUTIONS

All Community Anchor Institutions (CAIs) located within the area served by Northern Telephone Cooperative, Inc. have access to broadband service. No new CAIs were newly provided with access to broadband service in 2014.



Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information for

**Northern Telephone
Cooperative, Inc.**

December 31, 2014 and 2013

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northern Telephone Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northern Telephone Cooperative, Inc. and subsidiary, which comprise of the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern Telephone Cooperative, Inc. and subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams WP

Spokane, Washington
January 27, 2015

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 927,238	\$ 592,798
Investment in certificates of deposit	198,000	100,000
Telecommunications accounts receivable	158,187	156,292
Settlements and access accounts receivable	200,316	198,236
Other accounts receivable	2,978	2,307
Income tax refund receivable	32,246	2,403
Notes receivable, current portion	16,039	11,869
Material and supplies	434,441	524,753
Other current assets	19,639	18,908
Total current assets	1,989,084	1,607,566
NONCURRENT ASSETS		
Investment in affiliates	979,890	909,801
Investment in nonaffiliates	665,244	664,165
Notes receivable, long-term portion	7,611	86,158
Investment in certificates of deposit	590,000	688,000
	2,242,745	2,348,124
PROPERTY, PLANT, AND EQUIPMENT		
Regulated telecommunications plant in service	28,936,519	27,849,180
Regulated telecommunications plant under construction	1,190,447	928,193
Nonregulated telecommunications plant in service	667,181	667,181
	30,794,147	29,444,554
Less accumulated depreciation	20,920,888	20,022,725
	9,873,259	9,421,829
	<u>\$ 14,105,088</u>	<u>\$ 13,377,519</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND MEMBERS' EQUITY

	December 31,	
	2014	2013
CURRENT LIABILITIES		
Accounts payable	\$ 28,510	\$ 45,579
Advance billing	113,562	23,760
Other accrued taxes	101,507	86,979
Other accrued liabilities	<u>147,853</u>	<u>145,732</u>
 Total current liabilities	 <u>391,432</u>	 <u>302,050</u>
 OTHER LIABILITIES AND DEFERRED CREDITS		
Other deferred credits	301,953	271,096
Deferred income taxes	<u>149,816</u>	<u>158,142</u>
	 <u>451,769</u>	 <u>429,238</u>
 MEMBERS' EQUITY		
Memberships and other capital	8,125	8,125
Accumulated other comprehensive income	226,716	231,671
Retained margins	<u>13,027,046</u>	<u>12,406,435</u>
	 <u>13,261,887</u>	 <u>12,646,231</u>
	 <u><u>\$ 14,105,088</u></u>	 <u><u>\$ 13,377,519</u></u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2014	2013
Operating revenues		
Wireline	\$ 3,320,742	\$ 3,319,314
Internet	466,576	444,703
Fiber lease	205,220	205,220
Miscellaneous	234,805	195,293
	<u>4,227,343</u>	<u>4,164,530</u>
Operating expenses		
Plant specific operations	690,022	623,164
Plant nonspecific operations	178,570	174,082
Depreciation	1,263,933	1,154,961
Customer operations	249,067	207,813
Corporate operations	581,243	622,906
Other operating taxes	155,275	134,839
Nonregulated	557,742	488,397
	<u>3,675,852</u>	<u>3,406,162</u>
Operating margins	<u>551,491</u>	<u>758,368</u>
Nonoperating income (expense)		
Interest and dividend income	288,521	315,121
Other nonoperating expense	(3,143)	(6,703)
Income from affiliate	70,089	85,441
	<u>355,467</u>	<u>393,859</u>
Margins before income taxes	906,958	1,152,227
Income tax expense	<u>(150,233)</u>	<u>(190,628)</u>
Net margins	<u>\$ 756,725</u>	<u>\$ 961,599</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2014	2013
Net margins	\$ 756,725	\$ 961,599
Other comprehensive income		
Postretirement healthcare benefits		
Net gain (loss) arising during the period	7,285	(4,829)
Amortization included in net periodic benefit cost		
Prior service cost	-	(1,170)
Net loss	(12,240)	(13,436)
	(12,240)	(14,606)
Other comprehensive loss	(4,955)	(19,435)
Comprehensive income	\$ 751,770	\$ 942,164

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Memberships and Other Capital	Retained Margins Unallocated	Retained Margins Allocated	Accumulated Other Comprehensive Income	Total Equity
Balance, December 31, 2012	\$ 8,125	\$ 5,752,044	\$ 5,743,837	\$ 251,106	\$ 11,755,112
2013 net margins	-	961,599	-	-	961,599
Excise tax patronage capital	-	-	1,793	-	1,793
Patronage capital retired	-	-	(52,838)	-	(52,838)
Allocate 2012 patronage	-	(436,330)	436,330	-	-
Other comprehensive income	-	-	-	(19,435)	(19,435)
Balance, December 31, 2013	8,125	6,277,313	6,129,122	231,671	12,646,231
2014 net margins	-	756,725	-	-	756,725
Excise tax patronage capital	-	-	2,885	-	2,885
Other	-	(74,084)	-	-	(74,084)
Patronage capital retired	-	-	(64,915)	-	(64,915)
Allocate 2013 patronage	-	(442,080)	442,080	-	-
Other comprehensive income	-	-	-	(4,955)	(4,955)
Balance, December 31, 2014	<u>\$ 8,125</u>	<u>\$ 6,517,874</u>	<u>\$ 6,509,172</u>	<u>\$ 226,716</u>	<u>\$ 13,261,887</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 756,725	\$ 961,599
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	1,263,933	1,154,961
Income from affiliate	(70,089)	(85,441)
Noncash patronage allocations	(2,722)	(4,540)
Deferred income taxes	(8,326)	6,904
Changes in assets and liabilities		
Receivables	(4,646)	102,846
Income taxes	(29,843)	16,308
Material and supplies	90,312	147,618
Other current assets	(731)	(4,814)
Accounts payable and accrued expenses	(420)	4,392
Advance billings and customer deposits	15,718	3,820
Other liabilities	25,902	(5,513)
Net cash from operating activities	<u>2,035,813</u>	<u>2,298,140</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(1,715,363)	(2,230,490)
Proceeds from sale of property, plant, and equipment	-	1,185
Purchase of investments	(100,000)	(194,000)
Payments on notes receivable	74,377	11,257
Proceeds from sale of investments	<u>101,643</u>	<u>195,597</u>
Net cash from investing activities	<u>(1,639,343)</u>	<u>(2,216,451)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Patronage capital retired	\$ (64,915)	\$ (52,838)
Excise tax refund	2,885	1,793
Net cash from financing activities	(62,030)	(51,045)
NET CHANGE IN CASH AND CASH EQUIVALENTS	334,440	30,644
CASH AND CASH EQUIVALENTS at beginning of year	592,798	562,154
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 927,238</u>	<u>\$ 592,798</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	<u>\$ 185,500</u>	<u>\$ 167,537</u>
NONCASH FINANCING ACTIVITIES		
Postretirement benefit obligation	<u>\$ (4,955)</u>	<u>\$ (19,435)</u>
Advance billing transferred to equity	<u>\$ 74,084</u>	<u>\$ -</u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Description of entity – Northern Telephone Cooperative, Inc. (Cooperative) and its subsidiary are located in northern Montana and provide telecommunication services to approximately 1,500 subscribers. Telecommunication services include local, long distance, Internet, leased fiber optic lines, and other telecommunication services.

Principles of consolidation – The Cooperative, the parent corporation, owns 100% of Northern Communications, Inc. (Norcom). The subsidiary is included in the accompanying consolidated financial statements. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting policies – The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

Cash and cash equivalents – For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Concentration of credit risk – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000. The Cooperative minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Investments in certificates of deposit – These investments consist of certificates of deposit purchased at face value with maturities between one and five years. There is no material difference between the cost of these investments and their fair market value.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Cooperative reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Accounts are considered delinquent after the bills have been outstanding for greater than 90 days. Delinquent accounts are charged to uncollectible expense when it is determined the accounts will not be collected. Due to the immaterial nature of the Cooperative's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

Material and supplies – Material and supplies consist of construction materials, handsets and accessories held for sale, and other equipment, which are valued at the lower of average cost or market.

Investments in affiliates – The Cooperative accounts for its investments in limited liability companies by the equity method of accounting under which the Cooperative's share of the net income of the affiliates is recognized as income in the Cooperative's income statement and added or subtracted to the respective investment accounts. Under the equity method of accounts, dividends or returns of capital reduce the investment balance.

Investment in nonaffiliates – Investments consist primarily of assigned patronage from other cooperatives accounted for on the equity method and nonmarketable stock of telephone industry corporations stated at cost.

Property, plant, and equipment – Property, plant, and equipment are stated at cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment is depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Cooperative's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Income taxes – The Cooperative is taxable for federal and exempt for state income tax purposes. As a taxable cooperative, taxable income consists of margins earned from nonpatronage sources. Margins earned from patronage are not taxable to the extent margins are allocated to patrons in the form of capital credits. Norcom is a taxable entity for federal and state income tax purposes.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Income taxes (continued) – Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to book depreciation in excess of tax. Deferred tax liabilities relate primarily to differences in investment basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Cooperative records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2014 and 2013, the Cooperative had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively. The Cooperative is no longer subject to U.S. federal or state and local tax examinations by tax authorities for years before 2011.

Members' equity – The Cooperative assigns earned patronage margin annually to its patrons based on the bylaws of the Cooperative and related Board policies. Total patronage margins are computed on a tax basis and consist of Cooperative patronage revenues, reduced by related operating and interest expenses. The allocation is made to individual patrons based on the amount of Cooperative services billed to each patron for that year. The assignment to patron accounts is made in the subsequent year. Permanent equity is not assigned to members and consists primarily of nonpatronage margins.

A portion of the total assigned patronage capital is distributed to members as a general retirement each year. The total amount returned is determined by the Board of Directors and the vintage year from which the retirements will be applied. The Cooperative's policy is to retire the earliest unretired year first. All assigned margins prior to 2003 have been retired. Additionally, the Board of Directors approves early retirement requests from the estates of deceased members and defunct businesses. These retirements are not discounted.

Comprehensive income – Comprehensive income is defined as the change in equity of a business during a period as a result of net margins and other gains and losses affecting equity that, under accounting principles generally accepted in the United States of America, are excluded from net margins. Unrecognized actuarial adjustments in postretirement benefit plans are the items included in other comprehensive income.

Revenue recognition – Monthly service fees derived from local wireline and Internet are billed one month in advance, but recognized in the month that service is provided. Fiber optic line leases are billed in arrears; however, the revenue is recognized in the month the service is provided.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues also include settlements based on the Cooperative's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end, and therefore, the related revenues are recorded on the books based on an estimate of the Company's costs, NECA pool earnings and on other assumptions related to information utilized in the preparation of the Cooperative's cost study. The studies are subject to a 24-month pool earnings adjustment period and review of the study by NECA. There was an insignificant revenue impact in 2014 and 2013 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2014 and 2013 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from providing end user customers connection to the public Internet. Additionally, interstate access revenues include settlements from NECA that compensate the Cooperative for the DSL transport related to Internet traffic.

The Cooperative's wireline universal service support revenue is intended to compensate the Cooperative for the high cost of providing rural telephone service. Universal service support revenue includes funds received for High Cost Loop Support (HCLS), Interstate Common Line Support (ICLS), Connect America Fund (CAF), and other miscellaneous programs. HCLS and ICLS are based on the Cooperative's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced 5% each year in determining CAF support.

Regulation – The Cooperative's services are subject to rate regulation as follows:

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA. The FCC has also assumed preemptive authority to regulate intrastate telecommunications services including intrastate access rates.
- Universal service revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated, and include local telephone, Internet, long distance, equipment sales, directory, rents, fiber lease, and other incidental services.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Regulation (continued) – Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services such as Internet, equipment sales, directory, rents, and other incidental services. All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

Concentration of market risk – In 2014 and 2013, the Cooperative received \$1,544,157 and \$1,451,444, or 37% and 35%, respectively, of its revenue from the Federal USF.

Advertising expenses – The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2014 and 2013, were \$31,256 and \$32,272, respectively.

Taxes imposed by governmental authorities – The Cooperative's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Cooperative. These specific taxes are charged to and collected from the Cooperative's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Cooperative recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Cooperative's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Cooperative has evaluated subsequent events through January 27, 2015, which is the date the financial statements are available to be issued.

Note 2 – Investments in Affiliates

Investments in affiliated organizations consist of iConnect Montana, LLC (iConnect) and Montana Independent Telecommunications Systems, LLC (MITS). iConnect was formed to build fiber connection hubs throughout the state of Montana. Its primary function is to facilitate collocation between telecommunications providers. MITS is a professional service organization formed to support Montana's rural telecommunications industry.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investments in Affiliates (continued)

The carrying value of the equity method investments are accounted for as follows:

	<u>iConnect</u>	<u>MTS</u>	<u>Total</u>
Cash investment from previous years	\$ 700,271	\$ 14,725	\$ 714,996
Prior years' accumulated net income	70,132	39,232	109,364
2013 net income (loss)	<u>99,526</u>	<u>(14,085)</u>	<u>85,441</u>
Investment at December 31, 2013	869,929	39,872	909,801
2014 net income (loss)	<u>77,704</u>	<u>(7,615)</u>	<u>70,089</u>
Investment at December 31, 2014	<u>\$ 947,633</u>	<u>\$ 32,257</u>	<u>\$ 979,890</u>

The assets, liabilities, and operations of the Cooperative's investment in iConnect are as follows:

	<u>2014</u>	<u>2013</u>
Assets	<u>\$ 8,856,103</u>	<u>\$ 8,810,787</u>
Liabilities	<u>\$ 3,125,723</u>	<u>\$ 3,622,225</u>
Equity	<u>\$ 5,730,380</u>	<u>\$ 5,188,562</u>
Operating revenues	\$ 3,652,021	\$ 3,550,441
Operating expenses	<u>3,110,207</u>	<u>2,995,523</u>
Net income	<u>\$ 541,814</u>	<u>\$ 554,918</u>

iConnect has borrowed funds from First Interstate Bank. Conditional to the borrowing, iConnect was required to obtain loan guarantees from its investors. The Cooperative has guaranteed \$59,976 of iConnect's debt.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Investments in Nonaffiliates

Investments in associated organizations are carried at the lesser of cost or fair market value and consist of the following:

	<u>2014</u>	<u>2013</u>
Equity in other cooperatives	\$ 59,688	\$ 58,609
Vision Net, Inc.	601,484	601,484
Other	<u>4,072</u>	<u>4,072</u>
	<u>\$ 665,244</u>	<u>\$ 664,165</u>

Vision Net, Inc. provides advanced voice, data, and video services and is owned by Montana's independent telephone companies allowing them to interconnect a digital fiber network serving urban and rural communities throughout the state. The investment is maintained on the cost method of accounting and has no readily determinable market value. No events or significant changes have been identified that would have an adverse effect on the carrying values.

Note 4 – Notes Receivable

Notes receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
iConnect	\$ 23,650	\$ 98,027
Less current portion	<u>16,039</u>	<u>11,869</u>
	<u>\$ 7,611</u>	<u>\$ 86,158</u>

During 2006, Norcom loaned \$40,461 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5% and is being repaid in monthly installments of \$429.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Notes Receivable (continued)

During 2008, Norcom loaned an additional \$120,000 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5.5% and is being repaid in monthly installments of \$980.

Note 5 – Property, Plant, and Equipment

Telecommunications plant balances together with accumulated depreciation balances consist of the following at December 31:

	Depreciable Life	Plant Account	Accumulated Depreciation	2014 Net Balance	2013 Net Balance
Regulated					
General support assets	5 - 35 years	\$ 5,369,889	\$ 3,536,447	\$ 1,833,442	\$ 1,881,648
Central office assets	5 - 25 years	6,781,970	4,695,551	2,086,419	2,417,977
Cable assets	13 years	16,784,660	12,084,836	4,699,824	4,130,885
Plant under construction	n/a	1,190,447	-	1,190,447	928,192
		<u>30,126,966</u>	<u>20,316,834</u>	<u>9,810,132</u>	<u>9,358,702</u>
Nonregulated					
Cable assets	15 years	289,202	289,202	-	-
Central office assets	5 - 7 years	252,849	252,849	-	-
Other	2 - 10 years	125,130	62,003	63,127	63,127
		<u>667,181</u>	<u>604,054</u>	<u>63,127</u>	<u>63,127</u>
		<u>\$ 30,794,147</u>	<u>\$ 20,920,888</u>	<u>\$ 9,873,259</u>	<u>\$ 9,421,829</u>

Note 6 – Income Taxes

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), Cooperative patronage exclusions, nondeductible items, and nontaxable items. Additionally, due to the patronage exclusion, no deferred tax provision is recognized for the defined postretirement benefit plan amounts included in other comprehensive income.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Income Taxes (continued)

Components of provision for income tax expense at December 31:

	<u>2014</u>	<u>2013</u>
Current		
Federal	\$ (131,674)	\$ (152,933)
State	(26,885)	(30,791)
Deferred		
Federal and state	<u>8,326</u>	<u>(6,904)</u>
	<u>\$ (150,233)</u>	<u>\$ (190,628)</u>

This income tax expense is allocated to income as follows at December 31:

	<u>2014</u>	<u>2013</u>
Operating	\$ (211)	\$ (1,473)
Nonoperating	(6,493)	(6,243)
Nonregulated	<u>(143,529)</u>	<u>(182,912)</u>
	<u>\$ (150,233)</u>	<u>\$ (190,628)</u>

The components of the net deferred tax asset (liability) recorded in the accompanying consolidated balance sheets at December 31 are:

	<u>2014</u>	<u>2013</u>
Deferred tax assets (liabilities)		
Book investment carrying value greater than tax	\$ (168,941)	\$ (182,417)
Book depreciation greater than tax	<u>19,125</u>	<u>24,275</u>
Net deferred tax liability	<u>\$ (149,816)</u>	<u>\$ (158,142)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 – Deferred Credits

Deferred credits consist of the following at December 31:

	2014	2013
Postretirement health care plan liability	\$ 269,753	\$ 262,251
Scholarship liability	32,200	8,845
	<u>\$ 301,953</u>	<u>\$ 271,096</u>

Note 8 – Retirement Plans

Defined benefit plans – The Cooperative participates in two multi-employer pension plans (Plans) with the National Telephone Cooperative Association that cover substantially all of its employees and are described below.

The risks of participating in multi-employer plans are different from single employer plans as follows: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be borne by the remaining participating employers, and (3) if the Cooperative chooses to stop participating in a Plan, the Cooperative may be required to pay a withdrawal liability.

The Cooperative's participation in multi-employer Plans is outlined in the table below. Unless otherwise noted, the information provided below is from the Plans' most recent Form 5500 filing, which covers the Plan years 2013 and 2012. At the date the financial statements were issued, Form 5500 was not available for the year ending 2014.

Plan Name	Employer Identification Number/Plan Number	Pension Protection Act Zone Status		Employer Contributions		Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective-Bargaining Agreements	Minimum Contributions Required in the Future
		2013	2012	2014	2013					
Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and its Member Systems	52-0741336/333	At least 80% funded	At least 80% funded	\$ 143,047	\$ 124,239	No	No	Yes	N/A	No

Substantially all employees of the Cooperative participate in the Plans. Employees are eligible to receive an annuity or lump-sum payment at retirement based on an average of prior years' compensation. The Cooperative makes quarterly contributions to the Plans based on each employee's compensation.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Postretirement benefits – The Cooperative also sponsors a defined benefit postretirement health care plan (Plan) for retired employees who retire from the Cooperative prior to age 65. The Plan does not have any assets as future benefits will be paid by the Cooperative.

Obligations and funded status – The amount of benefit to be paid depends on a number of future events incorporated into a formula, including estimates of the average life of employees/survivors, years of service rendered, and future interest rates.

The accumulated benefit obligation represents the present value of all future benefits attributed to employee service earned through the measurement date and does not include changes in future compensation. For postretirement benefit plans, the benefit obligation is the accumulated benefit obligation.

The following table summarizes the benefit obligation, fair value of Plan assets, and the funded status over the two-year period ended December 31, 2014:

	<u>2014</u>	<u>2013</u>
Accumulated benefit obligation at end of year	\$ (283,553)	\$ (272,601)
Fair value of Plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (283,553)</u>	<u>\$ (272,601)</u>

Amounts recognized in the balance sheets at December 31 consist of:

	<u>2014</u>	<u>2013</u>
Current liabilities	\$ 13,800	\$ 10,350
Noncurrent liabilities	<u>269,753</u>	<u>262,251</u>
Net amount recognized	<u>\$ 283,553</u>	<u>\$ 272,601</u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Obligations and funded status (continued) – The following amounts are not yet reflected in the net periodic benefit cost and are included in accumulated other comprehensive income:

	<u>2014</u>	<u>2013</u>
Accumulated gain	<u>\$ 226,716</u>	<u>\$ 231,671</u>

The unrecognized gain is a result of the accumulated difference between the actuary's estimates based on actuarial principles and the Cooperative's actual experience with factors such as the length of employment and the discount rate for the Plan obligations.

The estimated net gain that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is \$12,240.

Other Plan information – The following table provides the net periodic benefit cost at December 31:

	<u>2014</u>	<u>2013</u>
Net periodic benefit cost	<u>\$ 16,347</u>	<u>\$ 12,073</u>

The net periodic benefit cost is the amount recognized in the financial statements as the cost of the Plan for the year. Components of the net periodic benefit cost are service cost, interest cost, actual return on Plan assets, and amortization of unrecognized gains/losses. Net periodic benefit cost is allocated amongst each expense category and plant under construction based on labor.

The Cooperative does not expect to contribute to its postretirement health care plan in 2014. The Cooperative paid \$10,350 in benefits in both 2014 and 2013.

Expected future benefit payments, which reflect expected future service, as appropriate, are as follows:

2015	\$ 13,800
2016	24,697
2017	39,720
2018	40,402
2019	22,892
Years 2020-2024	72,529

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Other Plan information (continued) – At December 31 the assumptions used to determine the benefit obligation are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	<u>4.5%</u>	<u>4.5%</u>

For measurement purposes for the year ended December 31, 2014, the per capita cost of health care benefits was assumed to be 10.0%, decreasing 0.5% per year to a level of 5.0%. A 1.0% increase to the premium inflation rate would increase the net periodic benefit cost to \$20,186 and the accrued benefit liability to \$304,448.

Note 9 – Comprehensive Income

Changes in accumulated other comprehensive income by component for the year ended December 31, 2014, were:

	<u>Defined Benefit Pension Items</u>
Beginning balance	<u>\$ 231,671</u>
Other comprehensive income before reclassifications	7,285
Amounts reclassified from accumulated other comprehensive income	<u>(12,240)</u>
Net current period other comprehensive income	<u>(4,955)</u>
Ending balance	<u><u>\$ 226,716</u></u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Comprehensive Income (continued)

The effect of reclassification out of accumulated other comprehensive income for the year ended December 31, 2014, were:

<u>Details About Accumulated Other Comprehensive Income Components</u>	<u>Amounts Reclassified from Accumulated Other Comprehensive Income</u>	<u>Affected Line Item in the Statement of Income</u>
Amortization of defined benefit pension items		
Actuarial gains (losses)	<u>\$ (12,240)</u>	(a)

(a) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see retirement plan footnote for additional details).

Note 10 - Operating Revenue

Wireline and miscellaneous revenues consist of the following:

	<u>2014</u>	<u>2013</u>
Wireline		
Customer	\$ 655,313	\$ 620,107
Intercarrier		
Interstate	590,865	655,019
Intrastate	530,407	592,744
Universal service support - federal	<u>1,544,157</u>	<u>1,451,444</u>
Total wireline revenues	<u>\$ 3,320,742</u>	<u>\$ 3,319,314</u>
Miscellaneous		
Equipment sales, net	\$ 12,358	\$ 9,898
Rent	83,078	79,542
Other	159,978	110,869
Uncollectible	<u>(20,609)</u>	<u>(5,016)</u>
Total miscellaneous revenues	<u>\$ 234,805</u>	<u>\$ 195,293</u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Operating Revenue (continued)

Access revenues are classified above as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC) and the Federal Universal Service Charge (FUSC), and Access Recovery Charge (ARC).
- Universal Service Support includes HCLS, ICLS, and CAF.
- All access charge and settlement revenue, except as described above, are classified as intercarrier revenue.

Note 11 – Fiber Lease Revenues

The Cooperative enters into noncancellable leases for fiber. The leases are accounted for as operating leases and have contract terms between 10 and 20 years. The Cooperative will receive the following lease payments under these agreements over the next five years:

2015	\$ 152,432
2016	129,400
2017	113,200
2018	113,200
2019	113,200

Note 12 – Related Party Transactions

During 2014 and 2013, the Cooperative and its subsidiary participated in various related party transactions. Vision Net is leasing fiber segments from the Cooperative. The Cooperative received lease and special access payments from Vision Net of \$372,970 in 2014 and \$279,845 in 2013. Norcom also utilizes the Vision Net network for transport. For the years ended December 31, 2014 and 2013, the Cooperative paid \$86,885 and \$86,977, respectively.

SUPPLEMENTARY INFORMATION

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Northern Telephone Cooperative, Inc.

We have audited the consolidated financial statements of Northern Telephone Cooperative, Inc. as of and for the year then ended December 31, 2014, and have issued our report thereon dated January 27, 2015, which contains an unmodified opinion on those financial statements and appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet detail and consolidating statement of income detail is presented for purposes of additional analysis, rather than to present financial position, results of operations, and cash flows of the individual companies, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Spokane, Washington
January 27, 2015

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NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL

	December 31, 2014			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT ASSETS				
Cash and cash equivalents	\$ 327,190	\$ 600,048	\$ -	\$ 927,238
Investment in certificates of deposit	198,000	-	-	198,000
Telecommunications accounts receivable	117,797	40,390	-	158,187
Settlements and access accounts receivable	200,316	-	-	200,316
Other accounts receivable	2,978	-	-	2,978
Income tax refund receivable	354	31,892	-	32,246
Notes receivable, current portion	-	16,039	-	16,039
Accounts receivable, affiliate	15	-	(15)	-
Material and supplies	420,821	13,620	-	434,441
Other current assets	19,639	-	-	19,639
Total current assets	1,287,110	701,989	(15)	1,989,084
NONCURRENT ASSETS				
Investment in affiliates	2,177,925	1,010,816	(2,208,851)	979,890
Investment in nonaffiliates	63,760	601,484	-	665,244
Notes receivable, long-term portion	-	7,611	-	7,611
Investment in certificates of deposit	590,000	-	-	590,000
	2,831,685	1,619,911	(2,208,851)	2,242,745
PROPERTY, PLANT, AND EQUIPMENT				
Regulated telecommunications plant in service	28,936,519	-	-	28,936,519
Regulated telecommunications plant under construction	1,190,447	-	-	1,190,447
Nonregulated telecommunications plant in service	86,281	580,900	-	667,181
	30,213,247	580,900	-	30,794,147
Less accumulated depreciation and amortization	20,339,988	580,900	-	20,920,888
	9,873,259	-	-	9,873,259
	<u>\$ 13,992,054</u>	<u>\$ 2,321,900</u>	<u>\$ (2,208,866)</u>	<u>\$ 14,105,088</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL

	December 31, 2014			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT LIABILITIES				
Accounts payable, general	\$ 28,510	\$ -	\$ -	\$ 28,510
Accounts payable, affiliate	-	15	(15)	-
Advance billing	112,117	1,445	-	113,562
Other accrued taxes	76,552	24,955	-	101,507
Other accrued liabilities	147,853	-	-	147,853
Total current liabilities	365,032	26,415	(15)	391,432
OTHER LIABILITIES AND DEFERRED CREDITS				
Other deferred credits	301,953	-	-	301,953
Deferred income taxes	-	149,816	-	149,816
	301,953	149,816	-	451,769
MEMBERS' EQUITY				
Memberships and other capital	8,125	-	-	8,125
Capital stock	-	2,000	(2,000)	-
Additional paid-in capital	-	200,000	(200,000)	-
Accumulated other comprehensive income	226,716	-	-	226,716
Retained margins	13,090,228	1,943,669	(2,006,851)	13,027,046
	13,325,069	2,145,669	(2,208,851)	13,261,887
	\$ 13,992,054	\$ 2,321,900	\$ (2,208,866)	\$ 14,105,088

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF INCOME DETAIL

	Year Ended December 31, 2014			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
Operating revenues				
Wireline	\$ 3,320,742	\$ -	\$ -	\$ 3,320,742
Internet	-	466,576	-	466,576
Fiber lease	-	205,220	-	205,220
Miscellaneous	106,695	128,110	-	234,805
	<u>3,427,437</u>	<u>799,906</u>	<u>-</u>	<u>4,227,343</u>
Operating expenses				
Plant specific operations	690,022	-	-	690,022
Plant nonspecific operations	178,570	-	-	178,570
Depreciation and amortization	1,263,933	-	-	1,263,933
Customer operations	249,067	-	-	249,067
Corporate operations	581,243	-	-	581,243
Other operating taxes	155,275	-	-	155,275
Nonregulated	-	557,742	-	557,742
	<u>3,118,110</u>	<u>557,742</u>	<u>-</u>	<u>3,675,852</u>
Operating income	<u>309,327</u>	<u>242,164</u>	<u>-</u>	<u>551,491</u>
Nonoperating income (expense)				
Interest and dividend income	60,963	230,796	(3,238)	288,521
Other nonoperating expense	(3,065)	(78)	-	(3,143)
Income from affiliate	399,442	77,704	(407,057)	70,089
	<u>457,340</u>	<u>308,422</u>	<u>(410,295)</u>	<u>355,467</u>
Margins before income taxes	766,667	550,586	(410,295)	906,958
Income tax expense	<u>(6,704)</u>	<u>(143,529)</u>	<u>-</u>	<u>(150,233)</u>
Net margins	<u>\$ 759,963</u>	<u>\$ 407,057</u>	<u>\$ (410,295)</u>	<u>\$ 756,725</u>